



CITY OF WAUWATOSA
EMPLOYEE RELATIONS COMMITTEE
MINUTES • OCTOBER 8, 2013

Regular Meeting**Committee Room #1****6:30 PM**

7725 West North Avenue, Wauwatosa, WI 53213

PRESENT: Alds. Causier, Berdan, Wilson, Hanson (6:34 p.m.) - 4

NOT PRESENT: Ald. Organ

ALSO PRESENT: J. Ruggini, Fin. Dir.; J. Archambo, City Admin.; J. Moldenhauer, Ald.; B. Pantuso, Ald.; R. Ugaste, Fire Chief; K. Ehley, Mayor; D. McBride, Ald.; B. Aldana, HR Dir.; J. Tilleson, Ald.; A. Brown, Asst. City Admin.

Ald. Causier as Chair called the meeting to order at 6:30 p.m.

EMPLOYEE RELATIONS COMMITTEE ITEMS

1. Presentation by Charles Carlson of Carlson Dettman of the draft compensation study

Ms. Aldana explained that Mr. Charles Carlson, Carlson Dettman, was present to provide an overview of the compensation plan developed by Carlson Dettman and Mr. Archambo was present to provide an overview of the City's pay plan implementation strategy. The compensation plan was recommended for approval by the Employee Relations Committee on September 24, 2013, but the item was held so that it could move concurrently with the ordinance repealing the old pay plan, section 2.59 of the Wauwatosa Municipal Code.

Mr. Carlson explained that Wauwatosa chose to pursue a new compensation plan after Act 10 fundamentally changed the compensation environment in Wisconsin. Before Act 10, Wauwatosa had multiple pay plans on different scales. Most municipalities are now seeking a one pay plan system to ensure internal equity and simplify plan administration. The Federal Equal Pay Act covers all positions that were formally represented by Unions and a compensation plan is necessary to justify actions related to compensation.

Mr. Carlson noted that collective bargaining inhibited municipalities from comparing their pay plans to market data. After Act 10, Wauwatosa sought Carlson Dettman's assistance to form a Two Tier Pay Plan that assessed individual positions against market rate. The City is also seeking a compensation plan that focuses on performance. To establish a new pay plan, the City hired Carlson Dettman to complete a Compensation Study. The firm used market data and job description questionnaires to develop three pay plans for the Employee Relations Committee's (ERC) consideration. The proposed pay plans included step only, strictly performance pay, and a hybrid plan that combined step and performance pay. Carlson Dettman suggested the hybrid plan and the ERC requested the development of a hybrid plan in June, 2013.

Mr. Carlson explained that the hybrid plan includes step compensation for the first six years and then pay for performance from the control point to the maximum. Pay for performance requires adequate funding, political support, consistent application and support from Administration. Pay for performance also requires good performance reviews. The City must establish a systematic procedure and provide supervisor training to ensure performance reviews are accurate. In the new plan, individuals above the current pay range will be red circled and their pay will freeze until the pay range meets their current rate. The City may choose to implement soft red circling which would allow the City to provide one-time increases, or bonuses, to those above the pay range maximum. The compensation plan will be assessed each year and pay increase distribution will reflect the City's current finances.

Mr. Carlson noted that Wauwatosa compensation is currently 12% higher than the market line calculated in their study. The compensation plan proposed will reduce this variance through attrition. The plan will only

succeed if the implementation includes adequate supervisor training, good job documentation, objective observer reviews, and competent market measurement.

Mr. Archambo explained that the compensation plan is the pay plan structure, but the City must take the next step to establish an implementation strategy.

Mr. Archambo presented an implementation timeline for the new compensation plan. A module through the website NeoGov will be used to evaluate employee performance and compare scores across departments. The implementation process will include supervisor training and competency sessions to establish performance measurement criteria. Three core areas will be covered during the implementation process and beyond, including leadership and specialized competencies, the art of coaching, and employee development.

The performance management system will be based on leadership competencies. To define these competencies, four teams of ten employees will identify key competencies for each level of the organization: department directors, supervisors/managers, professional employees, and front-line employees. Each team will review the City's vision and strategic plan, brainstorm competencies, benchmark top competencies, rank competencies in each level, and create a SMART goal process for technical competencies (specific, measurable, attainable, relevant, timeline). The teams will then come together, share their findings, and agree upon Wauwatosa's leadership competencies.

In addition to the establishment of leadership competencies, supervisors will participate in Art of Coaching training sessions to hone their leadership skills and learn about leadership topics. These sessions will include coaching best practices, the SMART goal process, leadership competency review, leadership styles, motivation styles, and other key areas to ensure the compensation plan's success.

Lastly, the implementation strategy includes Employee Development sessions. An Employee Development Committee will create a charter for employee development and research development options as well as determine the City's employee development strategy.

Mr. Archambo noted that this compensation plan implementation strategy will establish leadership competencies for all levels of leadership, form a specialized goal setting process, provide Communication with Style assessments for all leaders, provide performance management training, utilize NeoGov to set leadership and specialized competencies, clearly define the employee development process, and prepare the City for performance evaluations in early 2014.

Ms. Aldana explained that there are some implementation costs associated with the new plan. Some employees shifted slightly up in the pay scale and some employees were reclassified based on the market comparison. These shifts will cost approximately \$60,000. Employees above the maximum of the new compensation plan will be soft red circled rather than red circled. When the City offers a cost of living increase, these employees may receive an increase if they meet performance requirements. In the chosen hybrid plan, there are six step increases until the control point and performance based increases from the control point to the maximum.

Ms. Aldana urged that the primary intent of this plan is not cost savings. No employees will receive a reduction in pay, but the City will gain flexibility for pay distribution in the future. Some employees who were beyond their maximum step in previous contracts will have room to grow in the new pay plan. The Council will vote regarding approval of the compensation plan, but position placement will not be discussed until the plan is approved by Council. After plan approval, the City will establish an appeals process and individual employees will be able to appeal their placement in the structure.

Ald. Walz-Chojnacki noted that Wauwatosa is paying 12% above the market according to Carlson Dettman and he asked how that figure was calculated.

Mr. Carlson explained that the market line that was calculated by Carlson Dettman using unique public and private data. The market line calculation weighed the data based on previous hiring patterns in Wauwatosa. In

Wauwatosa, higher ranked positions are more often hired from the public sector and lower ranked positions are more often hired from the private sector, so the data was weighed accordingly.

Ald. Walz-Chojnacki asked if the use of both public and private data in this calculation gives Wauwatosa a competitive advantage

Mr. Carlson confirmed that the market line calculation was performed to make Wauwatosa a market competitive employer.

Ald. McBride remarked that he served on the Civil Service Commission for 16 years. During his tenure, he noticed that the City offered a premium to employees that attracted great candidates. However, the current financial environment warrants a reduction of this premium. He opined that the City must focus on management training to ensure that employee evaluations are properly performed and he endorsed Mr. Carlson's proposed hybrid plan.

Ms. Aldana explained that the Two Tier System proved that the City can hire qualified individuals at a lower starting rate. The beginning steps of many levels in the new plan are lower than the current pay structures, so the City expects the 12% variance to lower through attrition.

Mr. Carlson noted that the number of employees above the control point will reduce as employees retire or leave, and new employees will be placed at the low end of the scale.

Ms. Aldana explained that the new plan goes beyond changes in hourly wage. The hybrid plan provides an avenue to improve productivity and define what the City receives in exchange for different levels of compensation.

Mr. Carlson explained that employees often desire feedback and want to know how they are doing. Feedback will raise the level of performance in the organization by recognizing this desire and encouraging employee development.

Ald. Pantuso remarked that his employer is also implementing a performance pay plan. He expressed concern for the City employees that fall above the maximum and asked how the employees at this level are responding to the new plan.

Ms. Aldana explained that employee responses are varied and the new plan will take time to adjust. Many of the employees that fall above the maximum in the new plan were already above their maximum step in the former Union contracts. These employees were maxed out on the contract pay scale and only received cost of living increases. The City has decided to soft red circle these employees, so cost of living increases are still available to them if they meet performance criteria.

Mr. Archambo explained that there are varied opinions, but there is a desire for certainty and a plan going forward. Approving the new compensation plan will also correct inconsistencies that existed across the City's multiple pay plans prior to Act 10.

Mr. Carlson noted that the workforce's positive opinion should not be exaggerated. Some employees will react negatively and some will file appeals, but most employees are aware that Wauwatosa currently pays above market average.

Ald. Wilson thanked Mr. Carlson for his efforts and presentation of the compensation plan. Right now, 140 employees are paid approximately 12% more than the market average, but if all new employees start at the first step that number could fall below 100% of market average. He inquired if the City will lose the most qualified candidates by limiting the starting wage to the first step of the scale.

Ms. Aldana explained that the current non-represented employee pay plan allows the City to offer candidates a higher step wage if they are the most qualified or best fit for the position. This flexible practice will be included in the new compensation plan as an option to attract top notch employees.

Ald. Wilson commented that he strongly approves of pay for performance and questioned why the pay for performance structure is not applied to the entire employee workforce. A strictly performance pay plan would better reflect the goals of performance management and evaluate all employees using the same standards.

Ms. Aldana explained that a step plan also ensures productivity by providing certain progression.

Ald. Wilson asked how placing new employees in a step system would promote productivity and improved performance. He opined that the hybrid concept is not consistent and provides new employees with automatic raises for five years without holding them to the same performance standards as the rest of the workforce.

Mr. Carlson explained that the step portion of the plan is meant for employees in the development stages and the hybrid plan is easier to implement than a full fledged performance pay plan. Many municipalities implement a hybrid plan before establishing a full performance pay plan to assess if it is feasible for their municipality.

Ald. Wilson opined that it is superfluous to maintain two systems and evaluate employees on different standards. He asked for more detail regarding the financial mechanism that will fund this compensation plan and asked for this detail in the resolution that approves this plan. He noted that this plan could crumble if that overt statement of how funding this plan will be communicated each year.

Ms. Aldana explained that 1% is set aside in the 2014 budget for performance pay. The system may be implemented at the end of 2014 if the City is prepared. The City Administrator will be charged with the duty to report to the Common Council and to request a funding amount each budget cycle.

Mr. Carlson noted that, in the past, Wisconsin municipalities often applied wage increases across the board. The City must decide whether to provide a cost of living increase or merit increases, and determine how to calculate distribution. He remarked that these compensation decisions will also depend on the cost of benefits.

Ald. Wilson remarked that the City has already taken strides to manage health insurance costs by charging higher premiums to employees. The Council should not be particular about whether it's a cost of living or merit increase because the plan focuses on employee performance and raises will be based on the employee's level of performance.

Ald. Hanson commented that he appreciates the pay plan as a starter plan. The change will be difficult, but the plan presented will be a good start and end the two year limbo that employees have experienced since Act 10.

Ald. Berdan thanked Mr. Carlson for his efforts and presentation of the compensation plan. This plan will allow the City to recognize their employees and it will allow great managers to rise to the top. The plan gives employees incentive to improve productivity and think creatively. The red circled employees will be rewarded for positive input and new employees will be given incentive to learn their jobs well.

Ald. Causier commented that she likes that this plan is a starting point and asked that the City collect good data to see how the plan impacts the employee pool. She noted that institutional knowledge is important and any negative impacts of the plan should be addressed.

Ald. Wilson remarked that the resolution for this item should establish the mechanism to maintain and fund the new plan. He urged that the resolution must include language that ensures the plan is supported in the future.

Ms. Aldana explained that the draft policy includes language requiring the City Administrator to present the next year's compensation plan to the Budget Committee as part of the budget cycle. She noted that the

resolution may be written to approve the policy as written or to give the City Administrator the authority to maintain the policy.

Ald. Wilson asked Ms. Aldana to distribute the final resolution prior to the Common Council meeting.

2. Ordinance repealing Section 2.59 of the Wauwatosa Municipal Code

Moved by Ald. Hanson, seconded by Ald. Berdan to repeal Chapter 2.59 of the Wauwatosa Municipal Code to be replaced by the compensation plan recommended for approval at the September 24, 2013 Employee Relations Committee meeting - Ayes: 4

RESULT:	RECOMMENDED FOR ADOPTION [UNANIMOUS] Next: 10/15/2013 7:30 PM
TO:	Common Council
MOVER:	Tim Hanson, Alderman
SECONDER:	Cheryl Berdan, Alderwoman
AYES:	Causier, Wilson, Hanson, Berdan
EXCUSED:	Organ

3. *Discussion of collective bargaining strategy

Moved by Ald. Wilson, seconded by Ald. Hanson to hold the third agenda item, Discussion of collective bargaining strategy, until October 29, 2013 - Ayes: 4

The meeting adjourned at 7:58 p.m.

RESULT:	HELD [UNANIMOUS]
AYES:	Causier, Wilson, Hanson, Berdan
EXCUSED:	Organ

Carla A. Ledesma, CMC, City Clerk